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THE PLACE OF ADVERTISING IN MODERN BUSINESS

AMONG the economies enumerated in the testimony before the Industrial Commission as resulting from the interstate combination of manufacturing plants, one of the most important is the saving in advertising. This waste of competition, it is claimed is largely eliminated by consolidation and a social saving thus accomplished.¹ The implication is that advertising is an institution peculiar to the competitive system, which will pass away with the growth of combination. It is proposed to examine the claim and the implication. Is advertising an outgrowth of the competitive system? Will the formation of combinations tend to its elimination?

Advertising is a mode of education by which the knowledge of consumable goods is increased. It sets forth the peculiar excellence of novelties, keeps in mind the merits of staple articles, and thus increases the general demand for commodities. Its media are newspapers and magazines, catalogues, circulars, exhibits, samples, placards, and sign boards. Its success is measured by the amount of buying which it stimulates.

¹ In the chapter on "The Wastes of Competition" Professor Jenks says: "The cost of advertising . . . adds greatly to the cost of putting goods into the hands of the consumer. . . . It should not be forgotten that all this advertising does not increase proportionately the amount of soap or spices consumed. If it did, the advertising could scarcely be considered an economic loss. The purpose of the advertising is not chiefly to persuade customers to buy more soap or spices, but to use Pear's instead of Colgate's, or Ivory soap instead of Babbitt's, or one favorite brand of spices instead of another. Such expense of advertising must, of course, add greatly to the cost of the goods to the consumer. It is probably not too much to say that in many lines it would be possible, if the competitive advertising were rendered unnecessary, to furnish as good quality of goods to the consumers, permit them to pick their brands, and charge them only one half the prices paid at present, while still leaving to the manufacturer a profit no less great than that now received. The men now employed in the work of advertising might well put their efforts to better use in the service of the consumers. High as is the artistic quality of some of the advertising, its educative effect would doubtless be reached in other ways at less cost."—*The Trust Problem*, pp. 28, 29. In an article in the *Bulletin of the Department of Labor* for July 1900, Professor Jenks is less certain of the savings in advertising resulting from combinations.—*Bulletin No. 29*, p. 673.

Being a mode of education, the amount of advertising in any particular line varies directly with the novelty of the goods and inversely with the intelligence of the purchasers. Goods which are well known and in common use have less need of advertising than new and untried articles. Intelligent buyers also are less impressed by the arts of the advertiser, and are more independent in their choice than the ignorant and susceptible. The discussion may be narrowed, therefore, to its proper limits by distinguishing and marking off those articles and individuals with which the advertiser has nothing to do.

Goods are purchased either for production or consumption. Production goods are bought for purposes of revenue. Their value is measured by the profit derived from their use. Considerations of taste and vogue do not influence their purchase. Examples of production goods are raw materials and machinery—iron, coal, cotton, lathes, engines, and looms. Each fills a definite place, to which it is well adapted. The value of production goods can thus be determined by fixed and definite standards.

Consumption goods on the other hand are bought to minister directly to personal satisfaction. The criterion of their worth is the personal enjoyment which they afford. This enjoyment is not purely physical. It contains a spiritual element. The value of consumption goods, within wide and general limits, depends far more upon social standards and prescriptions than upon the brute satisfaction which their use affords. These standards are constantly changing and new forms of enjoyment are therefore demanded. The knowledge of these changes is diffused from the fountain heads of culture through the channels of trade to the consumer by means of advertising. Moreover, the higher total utility of a diversified consumption is always urging to a search after some new thing; new food tempts the palate, new vehicles, games, furniture, dishes, drapery and utensils heighten the enjoyment of domestic life; new combinations of color please the eye by variety. Opposed to the simple classifications of productive goods, consumption goods are put before

us in infinite and ever-changing complexity. There are, for example, two hundred varieties of crackers. The primary textiles—cotton, woolen, silk and linen—are so changed by mixtures, patterns and colorings, as to make countless varieties. The morning dish of porridge is supplemented by an increasing variety of breakfast foods. By-product economies of the large meat concerns, the skill of the gardener, cheap transportation and the new methods for canning and preserving, are a few of the ways in which American diet has been revolutionized. In consumption goods, standards of judgment are shifting, ill defined, and uncertain. No permanent norm of comparison can be found.

Production and consumption goods differ, moreover, in the intelligence of their respective buyers. Production goods are purchased by individuals and corporations engaged in agriculture, mining, manufacturing, building and transportation. The test of excellence in the case of any such good, is the profit on its employment. This test, because of the uniformity of the goods, can be easily applied, and it is in most cases applied by exceptional intelligence. The buyers of production goods, where large amounts are to be purchased, are selected for their peculiar knowledge, and are, moreover, provided with definite standards of valuation, which lighten the burden of judgment. The intelligence of the buyer is here at its maximum. The friction of adaptation of means to ends is at the lowest point. Of consumption goods on the other hand, all members of the community are purchasers, and the majority are little guided by intelligence. Their powers of discrimination and adaptation are imperfectly developed. Unlike the purchaser of production goods, the mass of the people are not ready to make the most of every new invention. Most of them are women, and women have had little to lift their minds above the low level of domestic tranquillity. Their lives are narrow and monotonous, and their capacities are deadened by hard work or the routine exactions of society. The limited incomes are rigidly allotted to definite needs and leave small room for innovations. The attention of

such people can only be attracted to new articles by the strongest possible stimuli. The dealer or manufacturer who caters to these people must supply strong incentives and inducements. When he wishes to introduce new goods, he must make them attractive. He must excite desire by appealing to imagination and emotion. Above all, he must make his goods familiar to every class in the community. All this can only be done by extensive advertising. In view of these distinctions between production and consumption goods, it is to be inferred that advertising is little used in selling the first class, and largely used in the second. Common observation shows this to be true.

I.

Railroad companies are the largest buyers of production goods. The methods of purchasing will serve to show the small part which advertising plays in the field of production. The American railroad is never finished. The rapid development of the country demands constant improvements, more substantial road beds, heavier rails, iron bridges, improved equipments, and expensive terminals. Strong pressure from the community, as well as their own interests, have compelled railroads to build well and make use of every improvement. Life and property depend upon railroad construction. The damages exacted for accidents, the expenses of repairing, coercive legislation, and the demand for speed and convenience in a rapidly developing commercial life, have forced the railroads to buy the best goods from the most reliable manufacturers, and to go even farther than this, to adopt methods of testing the goods which leave the least possible scope to the individual judgment of the manufacturer. A system of inspection and testing according to specifications has been the result.

Some tests have always been applied to determine the value of commodities. The armorer prided himself on a blade that would cleave a helmet. The rope-maker measured the strength of his product by the weight it would support. The guilds certified to the quality of the goods they produced. It remained

for modern industry, however, to realize the full possibilities of this system of determining by fixed rules the quality of commodities. Railroad specifications, first employed by the Pennsylvania, are now in general use. The outlines of the system are as follows: For large equipment (except bridges) bids are made upon the drawing submitted by the railroad.¹

The railroads buy from month to month large quantities of supplies, wheels, cotton waste, bar-iron, plates, steel castings, and oil. All this buying is done through the purchasing agent and his assistants. When supplies are needed, requisitions are sent in by the storekeepers. If a salesman has a new article to present, he brings it to the attention of the purchasing agent, who usually refers him to the testing department, where his samples will be examined.

For regular supplies the company provides printed specifications. All goods must come up to this standard. For example, steel articles are subjected to both physical and chemical tests. Special machines are employed for applying physical tests; such for example, as tensile strength. The chemical analysis is specially directed to make sure that sulphur and phosphorus do not exist in dangerous quantities. Each article is carefully examined, also, to be sure that the measurements

¹ Bridges are not built as often as other parts of the railroad and hence it has been cheaper to hire contractors rather than to keep up an expensive force.

The Pressed Steel Car Company makes its own drawings, as it also owns the patents. The drawings, with the specifications, are elaborate. In addition to the general plan, there are separate specifications for the different parts. After the order is placed, arrangements are made for inspection. For instance, when work is begun on cars, an inspector who is a trained expert is sent to the mills, and he remains there until the work is completed. He must be continually on the watch to see that every detail is exact, that there are not four nails where there should be five, that the number of bolts is sufficient, and that the lumber is well seasoned. If he should put a red cross on any plank, the plank would have to be taken out, even though all the work must be done over again. Not only is the inspector on the lookout for any attempt on the part of the contractors to give inferior material, but, where piece work is the rule, he must watch slack work on the part of the laborers. It is noticeable that in building locomotives where the men are on monthly wages, and every part, no matter how small, is indispensable, that the railroad allows the company to do its own inspecting and only tests the completed machine.

and weights are correct and that there are no cracks, seams, or flaws.¹

The railroad companies have well-equipped laboratories. The men in charge are trained experts, who devote their time not only to the routine work of testing, but who are also constantly experimenting to improve the requirements of specifications and reduce cost. In lubricating oils, for instance, the specifications follow changes in the weight of machinery and the power of engines. In this way, by means of specifications, the railroads obtain the quality of goods that they need. Close adherence to definite specifications is the condition universally imposed on all who would sell their goods. The manufacturer cannot afford to have goods rejected. The railroads aim to purchase the best. Novelties have no attraction for them until some special advantage is shown.

The conditions that prevail in railroad purchasing are true generally in the field of production goods. The producer is fast becoming the agent of the purchaser. He makes such goods as the purchaser demands, following out the specifications as given by the buyer. Production is controlled by consumption. Distribution, moreover, is greatly simplified by this method. Salesmen are few in number. They are only needed to keep the firm's name before its customers, to watch for possible large orders, and occasionally to urge the trial of a new article.

When advertising is done in the field of production goods it is of a simple character, generally announcing merely the firm's

¹ Testing is provided for in several ways. There are sometimes small coupons attached to each piece which can be separated and tested. These coupons and the completed plates from which they are taken are so stamped and numbered as to be easily identified. Such coupons are used on steel castings. Sample axles after undergoing the physical tests have pieces cut off, which are treated like coupons. For certain goods extra articles are made. In the case of wheels, in each lot of one hundred, three extra wheels are furnished and the samples, which are chosen at random for tests, are usually destroyed or unfitted for further use. All articles that are made of steel, as they come from different heats, are so classified, and a specimen is taken from each heat. Otherwise they are classified by the hundred or on some numerical plan, and a specimen is taken from each pile, or bag, as in the case of waste. The whole lot stands or falls by the test of the sample. If further test shows the goods to be defective after they are shipped, they are returned at the maker's expense.

name and the goods manufactured. If any further information is given it usually takes the form of guarantees and statements of quality. Catalogues, booklets, calendars, souvenirs, circulars and special articles in trade journals, all have their place as reminders of the firm's existence. They give the information necessitated by a shifting and unstable condition of business. In selling production goods, advertising in relation to the total cost of production is an insignificant expense.¹

II.

Since the growing intelligence of the consumer tends to eliminate advertising, as an important cost item, from the field of production goods, the nature and result of advertising can best be properly studied in connection with consumption goods. A consideration of the popular attitude toward advertising will here be in place. The position of the ordinary business man is summed up in the statement that advertising is a necessary evil. He says that he must advertise, for his competitors use this method to push their goods, but the results are uncertain. The impression given is that advertising would be unnecessary if it were not used as a weapon in competition. The attitude of the public is that of good-natured tolerance. Even while they read the attractive or amusing advertisements in newspapers and magazines, they grumble at their number and obtrusive character. The abuses are too much in evidence. Medical advertisements are often objectionable; flaring posters on street corners are frequently eye-sores; the weary traveler becomes impatient at the

¹ One class of purchasers of production goods must not, however, be overlooked—the farmers. There has recently been a great increase in advertising agricultural implements, directed not to the dealers but to the farmers themselves. The farmer is on the boundary line. He makes use of production goods, but he is frequently as inert in his attitude toward productive instruments as in his purchases of consumption goods. Few farmers have yet realized the scientific possibilities of agriculture in the use of machinery, fertilizers and other improvements. Accordingly the majority are inferior in effective intelligence to other purchasers of production goods, and in this respect are rather to be classed, for the purpose of advertising, with the buyers of consumption goods. A campaign of education has become necessary, but with this distinctive feature, the advertising of such goods emphasizes quality and labor-saving devices. The object, as always in production goods, is to induce investigation.

staring street car "ads.," the gaping signs, and above all, at the desecration of rocks and cliffs and beautiful scenery; the house-keeper scowls at the doorway littered with circulars, and the passer-by refuses them. In spite of negative encouragement and occasional opposition, the cost of advertising increases. When a new article is to be put on the market, or a new enterprise is to be launched, advertising expenses are always calculated among the initial costs. The business man will not trust to his own knowledge, but he makes use of the advice of the large agencies which have been formed to systematize the business and handle it more intelligently. Some of the best business talent, as managers of agencies or heads of departments in large concerns, is being directed toward a study of advertising methods. In New York the Bates agency has erected a building devoted entirely to advertising purposes. Special magazines deal with problems of advertising, and offer valuable suggestions and criticisms. Even in far-away country towns, the rival stores placard special sales of canning-jars and shoes, while in our large cities every grocery offers something at a special price. Although conspicuous advertising has always been considered beneath the dignity of reputable merchants, they try all manner of subtle means to attract customers; the store windows are continually made more attractive, and sometimes they even sink to the level of placards of prices. Professional ethics forbid advertising, but some doctors and lawyers have used notoriety to the advantage of their incomes, while many clergymen have not hesitated to employ notices, sensational subjects, and music to increase their congregations. Publicity in desirable and undesirable forms is closely associated with financial success. Is this many-sided and many-colored fact of advertising merely an outcome of aggressive competition destined soon to pass away under conditions of greater industrial consolidation, or has it, altogether apart from the necessity which competition enforces, an economic mission and a social justification?

Let us recall our original definition: "Advertising is a mode of education by which the knowledge of consumable goods is

increased." By education, lines of thought that lead to definite and co-ordinate action are made harmonious and mechanical. In other words, habits of thought that make it possible to properly relate new impressions to past experiences, to understand the conditions of life, and to know how to make the most of opportunities are developed. The object of all effort is to gain satisfaction by the consumption of goods. The highest aggregate of satisfaction is obtained by a complete utilization of our material environment through the introduction of variety and harmony in consumption. An appreciation of variety and harmony is the beginning of a never-ending scale of expansion, which must necessarily lead to a rise in the standard of living. Not only does each variation in consumption develop new wants, but it induces better adaptation.¹ The production of goods during the past century has been remarkable in the extent to which it has introduced new and better-adapted articles. Industrial improvements have placed a wealth of enjoyment within the reach of the masses. The rising standard of living has meant a larger demand for goods and a greater effort on the part of the individual to obtain them, and to retain the position which makes them possible. The individual becomes more ready to fight his way forward, and he strenuously resists an attempt to force him back to a lower level. Society is thereby benefited by the growth of energetic and efficient men and women. In this way desires have been increased, but the knowledge of how to best satisfy them is not always present. In order to discover to what extent the consumer directs the demand for consumption goods, it will be necessary to distinguish between the different classes of such consumers.

¹ Variety in consumption means specialization in the use of goods. We do not have to trace back many generations to find fingers and knives doing ample table service in the ordinary household. At best, pewter spoons and two-pronged iron forks completed the equipment. Today silver and silver-plate are in general use, and forks and spoons are manufactured for special purposes. We have pickle and olive forks, strawberry and ice cream forks, oyster and fish forks; we have, also, berry spoons, sugar spoons, soup spoons, salt spoons, mustard spoons, in ever-increasing varieties. These examples may be multiplied in every field of consumption: food, house-furnishings, clothing, and amusements.

Progress in consumption can be defined as the varied and harmonious use of goods, and, therefore, consumers must be distinguished according to the degree in which they have approached the ideal. Society is usually divided into three classes of consumers—the upper class, the middle class, and the lower class. The ordinary basis for such a distinction is that of income, the ability to command a certain amount of goods. Further divisions are based on definite incomes, five thousand, one thousand, five hundred, as it may be. We are not concerned, however, with the ability to pay but the ability to want and choose. The classification used here, therefore, must have a psychological basis and must depend upon the degree in which the members of each class have overcome the inertia engendered by fixed habits and are ready to vary and harmonize their consumption. Having this in mind, the same classification can be used—upper, middle, and lower classes—but with a different signification. Among the upper class we find a consumption, comparatively harmonious and varied. The middle class are constantly increasing the harmony and variety of their material means of enjoyment. The lower class is still the slave of simple and undiversified habits.

According to this classification, the upper class is limited in number and only includes those who take advantage of every invention and who are always ready to broaden their consumption so as to include the most beautiful, the most harmonious and the best adapted goods. People with large incomes do not necessarily belong to this class. Excluded are those who lead a humdrum, narrow existence, and the people who simply indulge in conspicuous consumption without any appreciation of adaptation or æsthetic fitness.

From the time, when commerce began by the introduction of luxuries for the rich, novelties have been devised for the benefit of the dominant class. They were the first to use beds, chairs, shoes, collars, umbrellas, coffee, tea, sugar, and similar articles now familiar to all. Constant experiments have developed these well adapted goods or staples, but it is only during

this century that the use of new goods has rapidly increased among the masses. The producer in order to increase his sales has found it necessary to encourage a large consumption of goods. He, therefore, produces in larger quantities imitations, in cheaper forms, of the goods once made solely for a limited class. The upper class of consumers today, like the consumers of production goods, is not composed of those who are attracted by mere novelty. The new article must display some superior features of adaptation or beauty. The consumer knows what he wants, and we may say, that he too deals directly with the producer; for although he may not demand certain goods, the producer recognizes his tastes and standards, and adapts his goods to them. These consumers, moreover, have their clothes made to order, they design their own ornaments, houses, and furnishings, and plan their festivities. In this way the upper class is beginning to control production. This class needs no further education.

At the other extreme of society is found the class that has not yet developed wants of a qualitative character. The standard of living is low because the adaptation to the environment is excellent and hence little variation is possible. Included here are all who are still in a caste system, for example, the Chinese, the coolies, the European peasantry. From generation to generation they eat the same food, dwell in the same houses, wear the same clothing, work at the same trades, and indulge in the same pleasures. The Hindoo who starves to death during the famine rather than eat wheat, and the Italian who imports macaroni and olives, and who puts up with expensive adulterated articles rather than change his diet are characteristic of the class. To them must be added the degenerate element of our city slums—the Jutes and Ishmaelites—who have become so shiftless and dispirited that they are willing to live from hand to mouth. On the border is the backwoods man who, in his isolation, has become inured to the hardships of his life and indifferent to the advances made in comfortable living. He is contented with a ham and egg diet, and he has implicit belief

in the superiority of everything homemade, from soap to butter, and from shock mattress to clothes. In general, education for the lower class must mean the excitation of new wants. The process could only be painfully slow unless some powerful outside influence made a change in the environment.

These two classes—the extremes of society—can be practically eliminated from our study of advertising. One class contains the chosen few who have learned to be on the lookout for new goods and to utilize them at once. They do not need advertisements; a bureau of notification would be sufficient to introduce new articles. The other contains those whose habits are so fixed that only slow growth or a sudden strong force can move them. Advertising makes little impression upon them. In outlining these classes, it is not intended to draw arbitrary lines or make clear-cut distinctions. All that is desired is to indicate certain general tendencies. By the same process of elimination which restricted advertising as an educational force to the field of consumption goods, we now find that it plays but a small part in educating the two extremes of society and must be studied in connection with the great middle class.

The middle class, from the standpoint of consumption, is more extensive than the middle class as estimated according to incomes. Every change which weakens the complete adaptation of the lower class to its environment brings recruits to the middle class. Every large increase in income does not take the individual into the upper class of consumers. It simply gives an opportunity for a more rapid and thorough education. The middle class inherits reactions from a past adaptation. The changes of modern life break up fixed habits, allow new wants to develop, and offer innumerable possibilities for their satisfaction. The incipient wants demand gratification, but the power of adapting means to ends is weak. The tendency is always to react along old lines. Hence the necessity to apply new stimuli to convert the individual to the use of new goods. Consumers of the middle class are not only limited by their inherited reactions, but they have restricted incomes, and they are busy people

who cannot be searching out new means for enjoyment, but must have them brought to their attention. Questions of price and convenience, therefore, are emphasized before those of adaptation and beauty.¹

The middle class has reached the stage in social development when co-operation along some lines is imperative. The constant intercourse and jostling together of different classes prepares the individuals for changes. The forces which are thus generated and which have always impelled to progress are imitation and emulation. Each class tries to equal and then surpass

¹ As already said, women constitute the large body of consumers. This is especially so in the middle class. The housewife chooses the home, selects the furnishings, provides the menus; she buys her own, her children's, and often her husband's clothing, and plans the festivities. Nowhere have the old habits maintained their sway more tyrannically than in the ideals of the home. A separate *ménage*, with its wasteful kitchen, with the small orders from many establishments, with its maid-of-all-work when men-of-all-work have no place in industry, with its personal housewifely supervision over every detail—this is the accepted ideal. Some spiritual, incalculable element is supposed to be added to the food, if the mother or wife has a hand in its preparation. This is usually untasted by the outsider, but the initiated understand it. The mother must care more for her new-born infant, if she has hemstitched the little garment herself or sewed on each bit of ribbon or lace. To toil from morning till night, cooking, sweeping, sewing, converting partly finished products into more available goods for the consumption of a select few, giving to each the element of personality that has always been attached to domestic industries, and which ruins as well as perfects—this is the life of the efficient and the ignorant housewife alike. The work is seldom done. Church, a few visits, calls, and teas come in as social duties to maintain the social position of the family. Spurred on by the ideals of home, this woman is hard to reach. She is frequently too busy to pay much attention to new things. She is skeptical of the utility of new goods. Ignorant of history, she does not know what strides have already been made. To convince her of the economies of direct co-operation is at present impossible, but something can be done to arouse interest and excite the cupidity already stimulated by increasing wants, and she gradually takes advantage of new goods. Ready-made clothing lightens the sewing; carpet-sweepers, furniture-polishers, hard-wood floors, and better soaps make the house cleaner and more easily cleaned. For a woman who does her own cooking gas stoves and better utensils, prepared foods and canned goods decrease the amount of energy expended. More leisure allows her to expand in other directions. Bicycles give her a taste for exercise, theaters and entertainments brighten her life, and excursions offer an inducement to save in other directions; thus there may be a break in the long summer evenings spent in the neighborly gossip on the front stoop or the piazza. Accompanying all the early stages of innovation is a fear of wrong-doing, of disloyalty to ideals, and of the coming destruction of the foundations of society; but the next generation has no conscientious misgivings.

the class above. Each individual tries to outdo his neighbor in the goods he consumes and to increase the distance between himself and his inferiors. Moreover, there is the subordinate consideration of increased comfort and convenience. Dirt, dust, and noise are to be avoided; heating apparatus needs to be made more certain; brittle lamp chimneys, to be replaced by stronger ones; chapped hands to be made smooth; aching feet, to be shod with comfort—all the pains and manifold inconveniences of life to be alleviated; its hard work and heavy burden to be lightened. The above forces—imitation and emulation—have been gradually working revolutions in the consumption of the masses of the people, but in the sixteenth, seventeenth, and eighteenth centuries we look back and see goods transported in rude carts and wagons or in small vessels that were at the mercy of every calm. Within the last fifty years we have railroads and steamships, electric lines and automobiles, and by their increased speed we can measure the strides made in the use of new goods. The advances made in distribution required a quicker method of increasing the knowledge of goods—a method that stimulates imitation and emulation—and this is advertising.

The ordinary individual, as already stated, has inherited reactions. The changes of modern life break up his old habits. An opportunity to form a new habit—to be converted—is open to him, if the stimuli are present. Advertisements apply the stimuli. The successful advertisement is obtrusive. It continually forces itself upon the attention. It may be on sign boards, in the street-car, on the page of a magazine, or on a theater program. Everyone reads it involuntarily, and unconsciously it makes an impression. It is a subtle, persistent, unavoidable presence that creeps into the reader's inner consciousness. A mechanical association is formed and may frequently result in an involuntary purchase. All articles of a class become associated with the one advertised.¹ In addition to the involuntary increase

¹ Royal Baking Powder becomes the symbol of all baking powders. In ordering her supply the busy housewife may forget the name of the new baking powder which her grocer has urged her to try, but the name of "Royal" immediately occurs to her.

"Advertising is influencing the minds of the people. It is making them think as

of familiarity with goods, many people are impressed with the mere fact of advertising. For them the very obtrusiveness of the advertisement gives social sanction to the value of the article. The more stentorian the voice of the advertiser, the more unquestionably does the purchaser obey.

We should not expect to find that advertising had emanated from the consumer himself. This method of making the public acquainted with goods has been resorted to because the modern system of distribution requires that goods be sold in large quantities. Production increases, competition becomes more fierce, and purchasers must be found. Business men recognize that advertising can increase sales by increasing the people's familiarity with goods. This better knowledge of goods not only helps to educate the individual but trains him in other ways. His powers of discrimination are exercised and developed by the necessity of making a choice between the articles. Novelty advertising brings new articles to the knowledge of the uninitiated. Competitive advertising has its social justification in that it brings other articles of the same class to his attention, and thus forces a choice upon him. Through this selection he learns to estimate values, to develop his opportunities for substitution, and thus to reach a better standard. Even the abuses of advertising aid him, for he learns by his mistakes.

Again, skillful advertising helps him to quickly adjust himself to changing conditions. The advertisement sometimes creates a demand, sometimes directs it. The new article must create the demand. What greater stimulus can there be for an inventor than the fact that a method is in vogue by which a useful article can be immediately placed before the public with the probability of large and immediate returns? By successful advertising the masses are at once made familiar with more convenient or economical ways of living. On the other hand, the producer who, as already shown, is in advance of the consumer

you desire. It means utilizing all those forces which produce impressions and crystallize opinions. It is the creating of prestige — that quality which causes others to accept a statement without question." — *Handbook of Mahin Advertising Company.*

is as yet best able to direct the demand. This is especially apparent in department-store advertising, where the needs of every season are met, and where innumerable articles, calculated to fill some unsuspected want, are placed in prominent positions to attract the buyer. A glance at the summer counters of a department store shows all manner of fans, cooling drinks, picnic and camping devices, light reading, pillows and parasols, while at Christmas time tempting arrays of goods are arranged to catch the eyes of those who have not decided what to buy.

Advertising fixes new staples. Novelties can only be introduced at once by advertising, for as yet we have no central bureau of information established for disseminating the knowledge of new articles, nor are the masses ready to make any more use of such a bureau than they do of an exhibition. Staples are advertised under the following circumstances: (1) as leaders; (2) where a new use is advocated; (3) where there is a variation in form. When the first method is used it is merely a bait to attract purchasers, for when staples are placed on the bargain counter the purchaser can safely estimate his gain. Staples advertised under conditions two and three are practically novelties. Gas is an old stand-by for lighting, but for cooking and heating purposes we have a new use advocated, and attention is called to the fact by means of advertising. Variation in form is characteristic of consumption articles, and these changes give an excuse for continual advertising. Tea was one of the earliest articles advertised in England.¹ Recently the "blending" of teas has become customary and the value of the different blends is made known. The general forms of beds, chairs, and tables are familiar to all, but we find the Morris chair, folding beds, and fancy tables extensively advertised. Fashion plays an important part in directing these changes and stimulating sales. It is through advertising that the novelties or the staples with new uses or changes are given the same

¹ "That excellent and by all Physitians approved China Drink called by the *Chineans Teha* by other Nations *Tay alias Tee*, is sold at the *Sultan's Head Cophee-House*, in Sweetings Rents, by the Royal Exchange, London." *Mercurius Politicus*, September 30, 1658.

familiarity as the long-established staples, and thus firmly fixed in the consumption of the people.

By advertising the consumer is given a greater security as to the quality of the goods he purchases. It has already been shown that many tests exist for production goods. There are almost none for consumption goods. Sugar, salt, spirits, and petroleum have a test which the wholesaler can use. These and other staples are sufficiently known to the individual to make only insidious adulteration possible. The individual with his small demand, however, has no weapon against adulteration, inferior quality, or workmanship. If a manufacturer makes a poor fire box, the railroad will cancel the order and send elsewhere. Through the manager's association the fact will soon become known to other railroads. There is such a lack of co-operation and mutual confidence in the field of consumption goods that the ordinary consumer has no redress against the adulteration of foods and unsanitary goods except the inadequate force of legislation. The Consumers's League is the first organized effort to meet this difficulty. To a certain extent advertising offers a remedy. In order to make the public familiar with goods, brands, stamps, distinctive methods of wrapping and packing have been devised, by which the consumer will at once recognize the advertised article. These brands and marks have not only the value of property to the producer, but they aid the consumer in quickly identifying the good article and in preventing substitutes being imposed upon him. The known veracity or long acquaintance with the character of the individual retail dealer becomes of less importance to the buyer. This system has become so prominent in ordinary sales that packages are gradually taking the place of loose commodities. The consumer obtains better goods in that he knows what he is purchasing.

Advertising has benefited the consumer not only by giving him better goods but cheaper goods. The causes which have decreased the cost of many articles of everyday use are well known. It may, however, be safely claimed that advertising

has made it possible to increase the speed of this price reduction. As already stated, it has enormously increased sales and stimulated the desire to make large profits from low prices and large sales. Again, it has made the masses familiar with low prices, and hence unwilling to pay high ones, thus forcing down all prices.¹

It is claimed that lower prices often mean inferior goods, which must be replaced long before the difference in price is made up in the wear of the article. May it not be argued on the other hand that this seeming inferiority has a distinct social value? Cleanliness is increased, disease prevented, choice stimulated, variety made possible, and the standard of living raised by buying less durable goods. It is well that finely wrought furniture can be kept from generation to generation, but all will rejoice that the hideous productions of the past twenty-five years will not outlast the taste that produced them. There was a time when the expensive importations of broadcloth shone more and more brilliantly on the shoulders of each succeeding generation and the daughter wore her mother's wedding gown; but those were the days of limited production. The spruce appearance of our city people of today comes from the fact that the low prices make it possible to discard half-worn garments before they are dirty or threadbare.²

¹ The \$3.50 shoe affords an illustration. When a man has purchased a satisfactory shoe for \$3.50, he comes to doubt the advantage of the \$5 or \$6 shoe, and he feels that in such high prices he is paying tribute to a special name or make, or to the high character and high rent of the store.

² In the field of consumption advertising has frequently meant an increased sale of all goods of the advertised class. A few prominent examples can be given. The invention of the "hump" hook and eye increased the sale of all hooks and eyes. Pettijohn advertisements and demonstrations helped to interest consumers in other breakfast foods. When the Franco-American soup entered the market, canned goods were not only unpopular but in disrepute. The company began very successful advertising by requesting an investigation of their finely equipped building and of the hygienic conditions under which the soups are prepared. The descriptions of the factory and the excellent quality of the soups soon won them favor. Other soup companies have since entered the market. Recently Curtice & Company, of Rochester, began to push their soups in the field already occupied by the Franco-American Company. The Rochester Blue Label soup is of equal quality and similar price to the Franco-American goods. Grocers expected that the competition would lead to a falling off of the sales of the Franco-American soups. Instead, the advertising of the two soups has stimulated the sale of both.

Society gained when advertising was introduced. It is a positive not a negative force. To say of it, that it merely shifts sales, and that what is one man's gain is another man's loss, is to miss its significance. It is, no doubt, true that as a result of advertising the popular demand is constantly being shifted from one article to another, but an increase in the power of substitution means progress. In this redistribution some goods are always retained, while new articles are continually added. In conclusion of this part of our study, we may say that advertising in the field of consumption is a force working toward social improvement. It is a means by which the tastes and habits of the masses are revolutionized, and novelty, variety, and harmony introduced. Advertising, therefore, from the standpoint of the consumer has a social justification. Its abolition is only desirable when all the consumers are educated or a better means of training them substituted.

III.

The recent formation of interstate combinations of industries brings into play new factors which may modify present conditions of distribution, and so modify the function of advertising. Following out the general line of our argument, the classes of goods in which trusts have been successfully formed must first be distinguished. Trusts have been generally formed in the field of production goods and in the staple goods of consumption. A brief survey of the combinations whose stocks are listed on the New York Stock Exchange and which are mentioned in the commercial journals, will make this evident.¹

¹ The largest number of combinations in any single industry have been formed in the various branches of iron and steel production and the allied industries which use iron and steel as raw material, including the American Tin Plate, the American Steel and Wire, and the Federal Steel Company as well as the General Electric, National Tube, or Consolidation Street Car Company. To these must be added trusts working in metals, such as the Amalgamated Copper and American Smelting and Refining Company, the Asphalt Company of America, the two large chemical trusts, the paper combinations, and miscellaneous trusts, such as the Rubber Goods Manufacturing

There are few important combinations in the field of consumption goods. The reason for this is plain. The industries which would first be combined into a trust are those whose character is well known, for which there is a constant demand, and which require large capital and uniformity and intelligence in their management. It is in these simple and staple goods that competition is most disastrous. The constant demand for them induces many to enter the business and thus competition is especially destructive. A cut in prices cannot easily be followed by a rise under competitive conditions, for the quality of the goods is already known. In production goods, where there are regular tests, or in staple consumption goods with whose quality every one is familiar, claims of superiority are not easily made and profit is reduced to a minimum. The possibility of a large organization and the incentive to consolidation are at the maximum in the production of such goods, and on this account they have been generally organized into trusts. Since the trusts are formed to manufacture articles that rank as production goods and staple consumption goods, we must conclude that for a majority of the trusts no great saving can be made by reducing the expenses of advertising.

Let us turn our attention to some advertising facts in regard to trusts in consumption goods. We are interested in that feature of the trust which eliminated the wastes of competition and are, therefore, justified in including other natural monopolies which produce for general consumption. It will be necessary to recall the conditions under which advertising is indispensable to a producer: (1) to increase the consumption of goods, and (2) to introduce novelties. The by-products of certain trusts and

Company, the American Hide and Leather, the Standard Rope and Twine, or the Linseed Oil Company.

Turning to the trusts in consumption goods, the most important are in staples, such as oil, sugar, salt, meats, baking powder, starch, matches, ice, silverware, crackers, and tobacco. The bicycle too has practically become a staple through its extensive use. It is noticeable that there are almost no trusts in clothing where fashion plays a large part. The American Woolen Company and the United States Rubber Company cover but a limited field.

monopolies are specialties and novelties, and they are extensively advertised.¹

The railroads have few competitors along their own lines. They cannot greatly increase the demand for their facilities by driving competitors from the field. For ordinary purposes of

¹ We find the large meat concerns pushing all manner of canned goods and soaps of various kinds. Mica grease, paraffine, and other products of the Standard Oil Company have had their sales greatly enlarged because they have had the advantage of a rich corporation to pay for the advertising. Moreover, oil is as familiar a commodity as sugar, and no one thinks of the Standard Oil Company as advertising their product; but it is as much to the interest of the Standard Oil Company as to that of any other concern to increase the use of their commodity, and to do this they must advertise. Oil as well as gas is advertised as a fuel. This is done directly by advertising the Wickless Blue Flame Oil Stove. During last spring large advertisements of the stove, under the signature of the Atlantic Refining Company, were published in the Philadelphia papers. The Baking Powder Trust is based upon successful advertising, which, according to one witness before the Industrial Commission, is the only method of producing monopoly, while the American Cotton Oil Company owes the rapid growth of its business to carefully placed advertisements.

There has been no better example of the conditions under which a trust must undertake advertising in order to increase consumption than that of the Uneeda Biscuit. Crackers have never been much advertised. Salesmen were extensively used, but methods of advertising, except occasionally to accommodate some dealer, were not employed. The managers of the National Biscuit Company, after completing their organization, found that the capacity of their plants far exceeded the demand for the product. An old soda biscuit was put up in a new form under a name which could be cleverly manipulated. Half a million dollars was spent in advertisements. Sign boards, newspapers, and placards clamored for notice. The success was immediate, and the whole supply was soon exhausted. This advertising is being continued, for otherwise the sales would decrease. Moreover, the trust is now directing the method of distribution to suit its own ends. Consumers are advised of the advantages of the package arrangement with the In-er-Seal in preference to purchasing loose crackers.

The methods of the American Cotton Oil Company are especially instructive. Its products came upon the market as substitutes for beef fats and tallow, which held a strong position. The American Cotton Oil Company have won their way by superiority of product, ownership of patents, brands, and trades marks, and by a large business. "Persistent attention has been given to the improvement of the quality and attractive presentation of the finished goods." They say that no expense has been spared, "for the enlightened demand of the time was health foods and protection against impurities and contagion." Their methods of advertising brought these facts to the notice of the public. In the report of 1893 the company reported that the business during the previous year had "particularly developed in connection with the advertising of cottolene and gold dust."

business and travel they control the situation, but they recognize the necessity of stimulating the largest possible use of their facilities. To encourage this potential traffic they must advertise.¹ While the objection might be made that the railroads enter the competitive field when they attempt to increase travel for pleasure, this cannot be said of street railways where all the lines are under the control of one company. In various cities we find the street railway companies anxious to stimulate pleasure travel upon their lines.²

The United Gas Improvement Company, of Philadelphia, is a monopoly entirely free from competition. This company, however, has entered the field of advertising. Thirty to 50 per cent. of the people of Philadelphia who live in the old part of the city do not use gas. It is the object of the gas company to persuade this large population to make the necessary change. The company is also urging the advantages of using gas for cooking and heating purposes. They advertise in the newspapers; they place gas ranges in store windows and they call attention to every fluctuation in the price of coal, such, for instance, as that caused by the recent strike. In this way they have largely increased the demand for their product.

From the examples given, it is evident that a trust, or

¹ Expensive advertising among the railroads is on the increase. The Santa Fé road has long made a point of it, but all the principal roads are now paying special attention to the advertising methods. Magazines and newspapers are used as media; pictures, maps, and booklets are distributed; the attractions of certain trips or the scenery, fishing, or climatic possibilities are enumerated; excursions are regularly organized, and special circulars are sent to bank cashiers and other citizens who frequently travel. All this is done with the desire to stimulate travel for pleasure. Moreover, all these advertisements are of a high class. They are never offensive, and they are sometimes valuable contributions in the way of good pictures and descriptions of the country.

² In Chicago, for example, during the past summer, the newspapers were full of advertisements pointing out the coolness, the sights, and the pleasures that could be enjoyed for one dime spent in street car trips. Special features, such as the playing of the Yerkes fountain or the meeting of the G. A. R., suggest to the fertile mind of the advertiser the opportunities offered for riding on the street cars. Special inducements also are held out for trolley parties. Elsewhere the city railways encourage the building of parks and resorts in advantageous positions.

monopoly, may often find it not only advantageous but even necessary to advertise, the more so in many cases from the fact that the resources of a large company make it possible to advertise on a scale which gives large returns in a short time. Whenever it is desired to sell more goods, to get a share of the surplus expenditure which can be shifted from one class of goods to another, advertising must be resorted to. The control of industry, whether it be single or multiple, does not effect the question of advertising.

Those who claim that a saving in advertising expenses is one of the necessary economies of trust organizations, base their statements on the wastefulness of advertising. There are two kinds of waste—social waste and individual waste. It is possible to have a social gain from what may be a waste to individuals. As already shown, while the majority is ignorant, some merely competitive advertisements, although an actual loss to the individual producer, educate the people. There is much to be said, however, regarding wastefulness due to lack of skill in advertising. To be successful, an advertisement must be effective. If it does not arouse interest, the money is wasted. It is frequently a waste to spend too little money. The question involved is that of the methods used, not of the amount of money expended. Advertising experts differ as to the possibility of reducing advertising to a science, but they all acknowledge the importance of skill. True economy is, therefore, the development of better and more scientific methods, which can be developed in any large business as well as by a trust. In fact, we have examples of marked successes made in the advertising of some small novelty, while one trust at least has given evidence of actual blundering.¹

¹ The American Bicycle Company, in order to reduce advertising expenses discharged its expert advertisers soon after its organization. Because of the outcry against trusts, the American Bicycle Company wished to hide the fact as far as possible that its products were made by a trust. The bicycle business is in a peculiar condition. It is no longer the fashion to ride bicycles, interest has cooled and the reaction has set in. The bicycle is used largely for business purposes and many people are supplied with wheels. Under the circumstances the best advertising skill was

Who pays for advertising? Those who claim that the trust can economize in advertising make the consumer the gainer in lower prices. The assumption is that the consumer pays the advertising bill. This has yet to be proved. The economy of large selling is such that the manufacturer can often afford to pay for it. In fact low prices are necessary in order to increase the sales and put the article within the reach of the consumer. There are indications, however, that an economy comes in changing methods of distribution rather than in curtailing advertising.¹

A marked characteristic of recent advertising is that it is directed to the consumer and not to the dealers and middlemen. Take for example flour. Ever since patent flour was put on the market, the advertising has been directed to the housewife. The theory is that in this way the goods sell themselves. The consumer demands them from the retail dealer, and he, from the

required to stimulate interest in bicycle riding. It was necessary to excite a jaded taste. What do we find? In the early months of the year the magazines contained advertisements similar to those of the past and arranged as if the various makes were in close competition. On the same or succeeding pages, twenty-five-dollar, forty-dollar, and seventy-five dollar wheels are each claimed to be the best. Confidence in price must be shaken by such statements.

¹ "We are selling our whiskies for 15 cents that before never could be manufactured for 15 cents. Of course, the thing is self-evident. We also make better profits, but we do not take this from the consumer. We get the profits of that great middle class, you know. . . . About 40 million dollars are lost somewhere between the distiller and the consumer. It goes, of course, in trying for trade, for business. You will see about the firm here, Hunter's whiskies, advertised in the newspapers and everywhere else—electric lights blazing—and all costs a pile of money. They have salesmen scouring all over the country. All that thing is wrong; it is preposterous; it does not enable the consumer to get better whisky; it only makes him pay a better price. Coming down here I saw on the street two shoe stores: Douglas was one and the other I do not remember. They are very great shoe manufacturers. They have shoe stores in every village of the United States and they are selling right to the consumer for two-and-a-half or three-and-a-half dollars good shoes. . . . That is what the thing is accomplishing, it is bringing the manufacturer and consumer closer together every minute and it will result, just like all other labor-saving machinery has resulted, in saving the consumer and the widening of the purchasing capacity. It will enable him to use things which he never dreamed of using before."—*Industrial Commission Report*, vol. i. p. 829. Whisky test. (Bradley) Advantage in saving in salesmen, advertising, etc.

jobber. The retail dealer thus loses his importance as a middleman, and becomes a mere agent. In this way the dealer's profits can be cut down. The manufacturer and consumer are brought closer together, while there is a possibility of eliminating the middleman, as in the case of certain productive goods. It is evident that the retail dealers feel this danger. The various associations are trying to protect their members. The grocery journals are full of articles from individual dealers showing the mistake the manufacturer is making in not using the dealers to push his goods rather than advertising. The retail dealers state that they are obliged to keep the highly advertised articles on their shelves, although there is no profit in their sale. Moreover, these are the articles which are frequently used as leaders and the prices are cut.¹

A strong corporation will always make use of the best business machinery. The advantages of trust organizations are not merely those of economy, but of opportunities to use the best methods. Trusts formed in production goods will have few, if any, changes to make in advertising methods. Where, however, trusts are formed in consumption goods, the economy to be exercised will be in developing more skillful methods and multiplying results. Advertising is the best method for increasing consumption and the trust should be able to use it to the greatest advantage. Advertising is still needed by the consumer and the producer. The means now used to sell production goods, where advertising is reduced to a minimum, may approximate to the ideal conditions of distribution, but only where all articles are thoroughly adapted to their uses, consumers universally intelligent, and information well distributed can advertising be advantageously dispensed with.

EMILY FOGG-MEADE.

UNIVERSITY OF PENNSYLVANIA.

¹The position of the retail dealer is illustrated by Pear's soap. This soap is continually advertised. Its original price was 15 cents. Now it sells for 10. The dealer must pay \$1.25 a dozen if he buys in small quantities, but he can get it for \$1.20 a dozen in larger quantities. He not only cannot make a cent on the sales, but the soap is friable and an expensive article to handle.